

## Message Text

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ACTION NEA-09

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7662

USDOC WASHDC

INFO AMEMBASSY NEW DELHI

AMEMBASSY STOCKHOLM

UNCLAS TEHRAN 6571

FOR COMMERCE/MAJOR PROJECTS DIVISION

E.O. 11652: N/A

TAGS: BPRO, EIND, EMIN, IR

SUBJ: INVESTMENT OPPORTUNITY: IRON ORE MINING AND STEEL MILL

REF: TEHRAN A-80 (NOTAL)

1. IRADJ FOROOTAN, DEPUTY MANAGING DIRECTOR, IRAN BARITE COMPANY, WHO ALSO SERVES AS ADVISOR TO NATIONAL IRANIAN STEEL INDUSTRIES COMPANY (NISIC), INFORMED EMBASSY ON AUGUST 7 THAT TESTS OF KUDREMUKH IRON ORE DEPOSIT IN KARNATAKA, SOUTH INDIA, HAVE BEEN COMPLETED AND ORE FOUND SATISFACTORY FOR USE IN SPONGE IRON GAS REDUCTION PLANTS TO BE BUILT NEAR PERSIAN GULF. HE SAID BALL IS NOW IN INDIAN COURT TO MAKE PROPOSALS FOR EXPLOITATION OF KUDREMUKH.

2. FOROOTAN EXPRESSED UNDERSTANDING KAISER ENGINEERING ALREADY HAS MADE FEASIBILITY STUDIES OF KUDREMUKH. ASSUMING INDIAN GOVERNMENT PLEANS DEAL WITH PRIVATE FOREIGN COMPANY, HE STATED BELIEF KAISER'S CHANCES OF WINNING CONTRACT WILL BE ENHANCED IF US COMPANY ENTERS INTO JOINT VENTURE STEEL PLANT WITH NISIC. HE NOTED LETTERS OF INTENT HAVE BEEN RECEIVED BY NISIC FROM CONSORTIUM OF GERMAN COMPANIES AND ITALIAN COMPANY FOR STEEL MILL CONSTRUCTION IN BANDAR ABBAS AREA, BUT EMPHASIZED PLENTY OF ROOM REMAINS FOR KAISER OR OTHER AMERICAN FIRM. HE AWARE KAISER LAST YEAR HAD CONSIDERED INVESTING IN IRANIAN STEEL INDUSTRY AND BACKED AWAY WHEN IT UNABLE  
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AGREE ON FINANCIAL ARRANGEMENTS WITH NISIC. DURING TRIP TO USA

IN JUNE, HOWEVER, WHEN HE SPOKE TO KAISER EXECUTIVE VICE PRESIDENT R.E. BERNARD, AND MICHAEL JANNER, DIRECTOR OF ENGINEERING, FOROOTAN GAINED IMPRESSION KAISER NOW MORE WILLING TALK IN TERMS LIKELY TO BE ACCEPTABLE TO IRANIANS.

3. ACCORDING TO FOROOTAN, SWEDISH COMPANY, GRANGES INTERNATIONAL MINING, HAS INSIDE TRACK ON WINNING CONTRACT FOR EXPLOITATION OF GOL-E-GOHAR IRON ORE DEPOSIT IN KERMAN WHICH IS EXPECTED EVENTUALLY TO FEED MUCH OF STEEL INDUSTRY AROUND BANDAR ABBAS. HE STATED KAISER HAD BID ON GOL-E-GOHAR CONTRACT, BUT UNDERBID BY GRANGES. HOWEVER, CONTRACT STILL NOT SIGNED WITH GRANGES WHICH IS SCHEDULED TO SEND TEAM TO IRAN ABOUT SEPTEMBER 15 TO MAKE FINAL FEASIBILITY STUDY OF PROJECT. IN HIS VIEW, GRANGES BID LEFT VERY THIN PROFIT MARGIN, AND SWEDISH COMPANY MAY DECIDE IT CANNOT AFFORD TO TAKE ON PROJECT. SHOULD THIS OCCUR, NISIC MIGHT WILL WISH REOPEN NEGOTIATIONS WITH KAISER WHICH HAD MADE FINAL BID VERY CLOSE TO GRANGES' PRICE.

4. ACTION REQUESTED: COMMERCE SHOULD BRING ABOVE INFORMATION TO KAISER'S ATTENTION. FOROOTAN, WHO LIKELY IS THINKING IN TERMS OF OFFERING HIS SERVICES TO KAISER, SHOULD COMPANY WIN EITHER KUDRE-MUKH OR GOL-E-GOHAR CONTRACT, IS QUITE WILLING HAVE HIS NAME USED.

HELMS

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